

107TH CONGRESS
2D SESSION

H. R. 3666

To amend the Internal Revenue Code of 1986 to provide tax incentives for economic recovery and to provide assistance to displaced workers.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 2002

Mr. THUNE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives for economic recovery and to provide assistance to displaced workers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Job Creation and Economic Security Act of 2002”.

6 (b) **REFERENCES TO INTERNAL REVENUE CODE OF**
7 1986.—Except as otherwise expressly provided, whenever
8 in this Act an amendment or repeal is expressed in terms

1 of an amendment to, or repeal of, a section or other provi-
 2 sion, the reference shall be considered to be made to a
 3 section or other provision of the Internal Revenue Code
 4 of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for
 6 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL PROVISIONS

Sec. 101. Supplemental stimulus payments.

Sec. 102. Acceleration of 25 percent individual income tax rate.

TITLE II—BUSINESS PROVISION

Sec. 201. Special depreciation allowance for certain property acquired after
 September 10, 2001, and before September 11, 2004.

TITLE III—UNEMPLOYMENT ASSISTANCE

Sec. 301. Short title.

Sec. 302. Federal-State agreements.

Sec. 303. Temporary extended unemployment compensation account.

Sec. 304. Payments to States having agreements for the payment of temporary
 extended unemployment compensation.

Sec. 305. Financing provisions.

Sec. 306. Fraud and overpayments.

Sec. 307. Definitions.

Sec. 308. Applicability.

Sec. 309. Special Reed Act transfer in fiscal year 2002.

TITLE IV—DISPLACED WORKER HEALTH INSURANCE CREDIT

Sec. 401. Displaced worker health insurance credit.

Sec. 402. Advance payment of displaced worker health insurance credit.

TITLE V—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

Sec. 501. Employment and training assistance and temporary health care cov-
 erage assistance.

TITLE VI—VALUE-ADDED AGRICULTURE

Sec. 601. Small ethanol producer credit.

Sec. 602. Cooperative marketing includes value-added processing through ani-
 mals.

Sec. 603. Declaratory judgment remedy relating to status and classification of
 farmers' cooperatives.

TITLE I—INDIVIDUAL PROVISIONS

SEC. 101. SUPPLEMENTAL STIMULUS PAYMENTS.

(a) IN GENERAL.—Section 6428 (relating to acceleration of 10 percent income tax rate bracket benefit for 2001) is amended by adding at the end the following new subsection:

“(f) SUPPLEMENTAL STIMULUS PAYMENTS.—

“(1) IN GENERAL.—Each individual who was an eligible individual for such individual’s first taxable year beginning in 2000 and who, before October 16, 2001, filed a return of tax imposed by subtitle A for such taxable year shall be treated as having made a payment against the tax imposed by chapter 1 for such first taxable year in an amount equal to the supplemental refund amount for such taxable year.

“(2) SUPPLEMENTAL REFUND AMOUNT.—For purposes of this subsection, the supplemental refund amount is an amount equal to the excess (if any) of—

“(A)(i) \$600 in the case of taxpayers to whom section 1(a) applies,

“(ii) \$500 in the case of taxpayers to whom section 1(b) applies, and

1 “(iii) \$300 in the case of taxpayers to
2 whom subsections (c) or (d) of section 1 ap-
3 plies, over

4 “(B) the taxpayer’s advance refund
5 amount under subsection (e).

6 “(3) TIMING OF PAYMENTS.—In the case of
7 any overpayment attributable to this subsection, the
8 Secretary shall, subject to the provisions of this title,
9 refund or credit such overpayment as rapidly as pos-
10 sible.

11 “(4) NO INTEREST.—No interest shall be al-
12 lowed on any overpayment attributable to this sub-
13 section.”

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subparagraph (A) of section 6428(d)(1) is
16 amended by striking “subsection (e)” and inserting
17 “subsections (e) and (f)”.

18 (2) Subparagraph (B) of section 6428(d)(1) is
19 amended by striking “subsection (e)” and inserting
20 “subsection (e) or (f)”.

21 (3) Paragraph (3) of section 6428(e) is amend-
22 ed by inserting before the period “(or, if earlier, the
23 date of the enactment of the Job Creation and Eco-
24 nomic Security Act of 2002)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the date of the enactment
3 of this Act.

4 **SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL IN-**
5 **COME TAX RATE.**

6 (a) IN GENERAL.—The table contained in paragraph
7 (2) of section 1(i) (relating to reductions in rates after
8 June 30, 2001) is amended—

9 (1) by striking “27.0%” and inserting
10 “25.0%”, and

11 (2) by striking “26.0%” and inserting
12 “25.0%”.

13 (b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

14 (1) Subparagraph (A) of section 55(d)(1) is
15 amended by striking “(\$49,000 in the case of tax-
16 able years beginning in 2001, 2002, 2003, and
17 2004)” and inserting “(\$49,000 in the case of tax-
18 able years beginning in 2001, \$52,200 in the case of
19 taxable years beginning in 2002 or 2003, and
20 \$50,700 in the case of taxable years beginning in
21 2004)”.

22 (2) Subparagraph (B) of section 55(d)(1) is
23 amended by striking “(\$35,750 in the case of tax-
24 able years beginning in 2001, 2002, 2003, and
25 2004)” and inserting “(\$35,750 in the case of tax-

1 able years beginning in 2001, \$37,350 in the case of
 2 taxable years beginning in 2002 or 2003, and
 3 \$36,600 in the case of taxable years beginning in
 4 2004)’’.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2001.

8 (d) SECTION 15 NOT TO APPLY.—No amendment
 9 made by this section shall be treated as a change in a
 10 rate of tax for purposes of section 15 of the Internal Rev-
 11 enue Code of 1986 .

12 **TITLE II—BUSINESS PROVISION**

13 **SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CER-** 14 **TAIN PROPERTY ACQUIRED AFTER SEP-** 15 **TEMBER 10, 2001, AND BEFORE SEPTEMBER** 16 **11, 2004.**

17 (a) IN GENERAL.—Section 168 (relating to acceler-
 18 ated cost recovery system) is amended by adding at the
 19 end the following new subsection:

20 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
 21 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE
 22 SEPTEMBER 11, 2004.—

23 “(1) ADDITIONAL ALLOWANCE.—In the case of
 24 any qualified property—

1 “(A) the depreciation deduction provided
2 by section 167(a) for the taxable year in which
3 such property is placed in service shall include
4 an allowance equal to 30 percent of the ad-
5 justed basis of the qualified property, and

6 “(B) the adjusted basis of the qualified
7 property shall be reduced by the amount of
8 such deduction before computing the amount
9 otherwise allowable as a depreciation deduction
10 under this chapter for such taxable year and
11 any subsequent taxable year.

12 “(2) QUALIFIED PROPERTY.—For purposes of
13 this subsection—

14 “(A) IN GENERAL.—The term ‘qualified
15 property’ means property—

16 “(i)(I) to which this section applies
17 which has a recovery period of 20 years or
18 less or which is water utility property, or

19 “(II) which is computer software (as
20 defined in section 167(f)(1)(B)) for which
21 a deduction is allowable under section
22 167(a) without regard to this subsection,

23 “(ii) the original use of which com-
24 mences with the taxpayer after September
25 10, 2001,

1 “(iii) which is—

2 “(I) acquired by the taxpayer
3 after September 10, 2001, and before
4 September 11, 2004, but only if no
5 written binding contract for the acqui-
6 sition was in effect before September
7 11, 2001, or

8 “(II) acquired by the taxpayer
9 pursuant to a written binding contract
10 which was entered into after Sep-
11 tember 10, 2001, and before Sep-
12 tember 11, 2004, and

13 “(iv) which is placed in service by the
14 taxpayer before January 1, 2005, or, in
15 the case of property described in subpara-
16 graph (B), before January 1, 2006.

17 “(B) CERTAIN PROPERTY HAVING LONGER
18 PRODUCTION PERIODS TREATED AS QUALIFIED
19 PROPERTY.—

20 “(i) IN GENERAL.—The term ‘quali-
21 fied property’ includes property—

22 “(I) which meets the require-
23 ments of clauses (i), (ii), and (iii) of
24 subparagraph (A),

1 “(II) which has a recovery period
2 of at least 10 years or is transpor-
3 tation property, and

4 “(III) which is subject to section
5 263A by reason of clause (ii) or (iii)
6 of subsection (f)(1)(B) thereof.

7 “(ii) ONLY PRE-SEPTEMBER 11, 2004,
8 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-
9 ANCE.—In the case of property which is
10 qualified property solely by reason of
11 clause (i), paragraph (1) shall apply only
12 to the extent of the adjusted basis thereof
13 attributable to manufacture, construction,
14 or production before September 11, 2004.

15 “(iii) TRANSPORTATION PROPERTY.—
16 For purposes of this subparagraph, the
17 term ‘transportation property’ means tan-
18 gible personal property used in the trade
19 or business of transporting persons or
20 property.

21 “(C) EXCEPTIONS.—

22 “(i) ALTERNATIVE DEPRECIATION
23 PROPERTY.—The term ‘qualified property’
24 shall not include any property to which the

1 alternative depreciation system under sub-
2 section (g) applies, determined—

3 “(I) without regard to paragraph
4 (7) of subsection (g) (relating to elec-
5 tion to have system apply), and

6 “(II) after application of section
7 280F(b) (relating to listed property
8 with limited business use).

9 “(ii) ELECTION OUT.—If a taxpayer
10 makes an election under this clause with
11 respect to any class of property for any
12 taxable year, this subsection shall not
13 apply to all property in such class placed
14 in service during such taxable year.

15 “(iii) QUALIFIED LEASEHOLD IM-
16 PROVEMENT PROPERTY.—The term ‘quali-
17 fied property’ shall not include any quali-
18 fied leasehold improvement property (as
19 defined in section 168(e)(6)).

20 “(D) SPECIAL RULES.—

21 “(i) SELF-CONSTRUCTED PROP-
22 erty.—In the case of a taxpayer manufac-
23 turing, constructing, or producing property
24 for the taxpayer’s own use, the require-
25 ments of clause (iii) of subparagraph (A)

1 shall be treated as met if the taxpayer be-
2 gins manufacturing, constructing, or pro-
3 ducing the property after September 10,
4 2001, and before September 11, 2004.

5 “(ii) SALE-LEASEBACKS.—For pur-
6 poses of subparagraph (A)(ii), if
7 property—

8 “(I) is originally placed in service
9 after September 10, 2001, by a per-
10 son, and

11 “(II) sold and leased back by
12 such person within 3 months after the
13 date such property was originally
14 placed in service,

15 such property shall be treated as originally
16 placed in service not earlier than the date
17 on which such property is used under the
18 leaseback referred to in subclause (II).

19 “(E) COORDINATION WITH SECTION
20 280F.—For purposes of section 280F—

21 “(i) AUTOMOBILES.—In the case of a
22 passenger automobile (as defined in section
23 280F(d)(5)) which is qualified property,
24 the Secretary shall increase the limitation
25 under section 280F(a)(1)(A)(i) by \$4,600.

1 “(ii) LISTED PROPERTY.—The deduc-
2 tion allowable under paragraph (1) shall be
3 taken into account in computing any re-
4 capture amount under section
5 280F(b)(2).”

6 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
7 TAX.—

8 (1) IN GENERAL.—Section 56(a)(1)(A) (relat-
9 ing to depreciation adjustment for alternative min-
10 imum tax) is amended by adding at the end the fol-
11 lowing new clause:

12 “(iii) ADDITIONAL ALLOWANCE FOR
13 CERTAIN PROPERTY ACQUIRED AFTER SEP-
14 TEMBER 10, 2001, AND BEFORE SEP-
15 TEMBER 11, 2004.—The deduction under
16 section 168(k) shall be allowed.”

17 (2) CONFORMING AMENDMENT.—Clause (i) of
18 section 56(a)(1)(A) is amended by striking “clause
19 (ii)” both places it appears and inserting “clauses
20 (ii) and (iii)”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to property placed in service after
23 September 10, 2001, in taxable years ending after such
24 date.

1 **TITLE III—UNEMPLOYMENT**
2 **ASSISTANCE**

3 **SEC. 301. SHORT TITLE.**

4 This title may be cited as the “Temporary Extended
5 Unemployment Compensation Act of 2002”.

6 **SEC. 302. FEDERAL-STATE AGREEMENTS.**

7 (a) IN GENERAL.—Any State which desires to do so
8 may enter into and participate in an agreement under this
9 title with the Secretary of Labor (in this title referred to
10 as the “Secretary”). Any State which is a party to an
11 agreement under this title may, upon providing 30 days
12 written notice to the Secretary, terminate such agreement.

13 (b) PROVISIONS OF AGREEMENT.—Any agreement
14 under subsection (a) shall provide that the State agency
15 of the State will make payments of temporary extended
16 unemployment compensation to individuals who—

17 (1) have exhausted all rights to regular com-
18 pensation under the State law or under Federal law
19 with respect to a benefit year (excluding any benefit
20 year that ended before March 15, 2001);

21 (2) have no rights to regular compensation or
22 extended compensation with respect to a week under
23 such law or any other State unemployment com-
24 pensation law or to compensation under any other
25 Federal law;

1 (3) are not receiving compensation with respect
2 to such week under the unemployment compensation
3 law of Canada; and

4 (4) filed an initial claim for regular compensa-
5 tion on or after March 15, 2001.

6 (c) EXHAUSTION OF BENEFITS.—For purposes of
7 subsection (b)(1), an individual shall be deemed to have
8 exhausted such individual's rights to regular compensation
9 under a State law when—

10 (1) no payments of regular compensation can
11 be made under such law because such individual has
12 received all regular compensation available to such
13 individual based on employment or wages during
14 such individual's base period; or

15 (2) such individual's rights to such compensa-
16 tion have been terminated by reason of the expira-
17 tion of the benefit year with respect to which such
18 rights existed.

19 (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes
20 of any agreement under this title—

21 (1) the amount of temporary extended unem-
22 ployment compensation which shall be payable to
23 any individual for any week of total unemployment
24 shall be equal to the amount of the regular com-
25 pensation (including dependents' allowances) payable

1 to such individual during such individual's benefit
2 year under the State law for a week of total unem-
3 ployment;

4 (2) the terms and conditions of the State law
5 which apply to claims for regular compensation and
6 to the payment thereof shall apply to claims for tem-
7 porary extended unemployment compensation and
8 the payment thereof, except—

9 (A) that an individual shall not be eligible
10 for temporary extended unemployment com-
11 pensation under this title unless, in the base pe-
12 riod with respect to which the individual ex-
13 hausted all rights to regular compensation
14 under the State law, the individual had 20
15 weeks of full-time insured employment or the
16 equivalent in insured wages, as determined
17 under the provisions of the State law imple-
18 menting section 202(a)(5) of the Federal-State
19 Extended Unemployment Compensation Act of
20 1970 (26 U.S.C. 3304 note); and

21 (B) where otherwise inconsistent with the
22 provisions of this title or with the regulations or
23 operating instructions of the Secretary promul-
24 gated to carry out this title; and

1 (3) the maximum amount of temporary ex-
2 tended unemployment compensation payable to any
3 individual for whom a temporary extended unem-
4 ployment compensation account is established under
5 section 303 shall not exceed the amount established
6 in such account for such individual.

7 (e) ELECTION BY STATES.—Notwithstanding any
8 other provision of Federal law (and if State law permits),
9 the Governor of a State that is in an extended benefit pe-
10 riod may provide for the payment of temporary extended
11 unemployment compensation in lieu of extended com-
12 pensation to individuals who otherwise meet the require-
13 ments of this section. Such an election shall not require
14 a State to trigger off an extended benefit period.

15 **SEC. 303. TEMPORARY EXTENDED UNEMPLOYMENT COM-**
16 **PENSATION ACCOUNT.**

17 (a) IN GENERAL.—Any agreement under this title
18 shall provide that the State will establish, for each eligible
19 individual who files an application for temporary extended
20 unemployment compensation, a temporary extended un-
21 employment compensation account with respect to such in-
22 dividual's benefit year.

23 (b) AMOUNT IN ACCOUNT.—

1 (1) IN GENERAL.—The amount established in
2 an account under subsection (a) shall be equal to the
3 lesser of—

4 (A) 50 percent of the total amount of reg-
5 ular compensation (including dependents' allow-
6 ances) payable to the individual during the indi-
7 vidual's benefit year under such law, or

8 (B) 13 times the individual's average week-
9 ly benefit amount for the benefit year.

10 (2) REDUCTION FOR EXTENDED BENEFITS.—
11 The amount in an account under paragraph (1)
12 shall be reduced (but not below zero) by the aggre-
13 gate amount of extended compensation (if any) re-
14 ceived by such individual relating to the same ben-
15 efit year under the Federal-State Extended Unem-
16 ployment Compensation Act of 1970 (26 U.S.C.
17 3304 note).

18 (3) WEEKLY BENEFIT AMOUNT.—For purposes
19 of this subsection, an individual's weekly benefit
20 amount for any week is the amount of regular com-
21 pensation (including dependents' allowances) under
22 the State law payable to such individual for such
23 week for total unemployment.

1 **SEC. 304. PAYMENTS TO STATES HAVING AGREEMENTS FOR**
2 **THE PAYMENT OF TEMPORARY EXTENDED**
3 **UNEMPLOYMENT COMPENSATION.**

4 (a) GENERAL RULE.—There shall be paid to each
5 State that has entered into an agreement under this title
6 an amount equal to 100 percent of the temporary extended
7 unemployment compensation paid to individuals by the
8 State pursuant to such agreement.

9 (b) TREATMENT OF REIMBURSABLE COMPENSA-
10 TION.—No payment shall be made to any State under this
11 section in respect of any compensation to the extent the
12 State is entitled to reimbursement in respect of such com-
13 pensation under the provisions of any Federal law other
14 than this title or chapter 85 of title 5, United States Code.
15 A State shall not be entitled to any reimbursement under
16 such chapter 85 in respect of any compensation to the ex-
17 tent the State is entitled to reimbursement under this title
18 in respect of such compensation.

19 (c) DETERMINATION OF AMOUNT.—Sums payable to
20 any State by reason of such State having an agreement
21 under this title shall be payable, either in advance or by
22 way of reimbursement (as may be determined by the Sec-
23 retary), in such amounts as the Secretary estimates the
24 State will be entitled to receive under this title for each
25 calendar month, reduced or increased, as the case may be,
26 by any amount by which the Secretary finds that the Sec-

1 retary's estimates for any prior calendar month were
2 greater or less than the amounts which should have been
3 paid to the State. Such estimates may be made on the
4 basis of such statistical, sampling, or other method as may
5 be agreed upon by the Secretary and the State agency of
6 the State involved.

7 **SEC. 305. FINANCING PROVISIONS.**

8 (a) IN GENERAL.—Funds in the extended unemploy-
9 ment compensation account (as established by section
10 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of
11 the Unemployment Trust Fund (as established by section
12 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for
13 the making of payments to States having agreements en-
14 tered into under this title.

15 (b) CERTIFICATION.—The Secretary shall from time
16 to time certify to the Secretary of the Treasury for pay-
17 ment to each State the sums payable to such State under
18 this title. The Secretary of the Treasury, prior to audit
19 or settlement by the General Accounting Office, shall
20 make payments to the State in accordance with such cer-
21 tification, by transfers from the extended unemployment
22 compensation account (as so established) to the account
23 of such State in the Unemployment Trust Fund (as so
24 established).

1 (c) ASSISTANCE TO STATES.—There are appro-
2 priated out of the employment security administration ac-
3 count (as established by section 901(a) of the Social Secu-
4 rity Act (42 U.S.C. 1101(a)) of the Unemployment Trust
5 Fund, without fiscal year limitation, such funds as may
6 be necessary for purposes of assisting States (as provided
7 in title III of the Social Security Act (42 U.S.C. 501 et
8 seq.)) in meeting the costs of administration of agree-
9 ments under this title.

10 (d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—
11 There are appropriated from the general fund of the
12 Treasury, without fiscal year limitation, to the extended
13 unemployment compensation account (as so established)
14 of the Unemployment Trust Fund (as so established) such
15 sums as the Secretary estimates to be necessary to make
16 the payments under this section in respect of—

17 (1) compensation payable under chapter 85 of
18 title 5, United States Code; and

19 (2) compensation payable on the basis of serv-
20 ices to which section 3309(a)(1) of the Internal Rev-
21 enue Code of 1986 applies.

22 Amounts appropriated pursuant to the preceding sentence
23 shall not be required to be repaid.

1 **SEC. 306. FRAUD AND OVERPAYMENTS.**

2 (a) IN GENERAL.—If an individual knowingly has
3 made, or caused to be made by another, a false statement
4 or representation of a material fact, or knowingly has
5 failed, or caused another to fail, to disclose a material fact,
6 and as a result of such false statement or representation
7 or of such nondisclosure such individual has received an
8 amount of temporary extended unemployment compensa-
9 tion under this title to which he was not entitled, such
10 individual—

11 (1) shall be ineligible for further temporary ex-
12 tended unemployment compensation under this title
13 in accordance with the provisions of the applicable
14 State unemployment compensation law relating to
15 fraud in connection with a claim for unemployment
16 compensation; and

17 (2) shall be subject to prosecution under section
18 1001 of title 18, United States Code.

19 (b) REPAYMENT.—In the case of individuals who
20 have received amounts of temporary extended unemploy-
21 ment compensation under this title to which they were not
22 entitled, the State shall require such individuals to repay
23 the amounts of such temporary extended unemployment
24 compensation to the State agency, except that the State
25 agency may waive such repayment if it determines that—

1 (1) the payment of such temporary extended
2 unemployment compensation was without fault on
3 the part of any such individual; and

4 (2) such repayment would be contrary to equity
5 and good conscience.

6 (c) RECOVERY BY STATE AGENCY.—

7 (1) IN GENERAL.—The State agency may re-
8 cover the amount to be repaid, or any part thereof,
9 by deductions from any temporary extended unem-
10 ployment compensation payable to such individual
11 under this title or from any unemployment com-
12 pensation payable to such individual under any Fed-
13 eral unemployment compensation law administered
14 by the State agency or under any other Federal law
15 administered by the State agency which provides for
16 the payment of any assistance or allowance with re-
17 spect to any week of unemployment, during the 3-
18 year period after the date such individuals received
19 the payment of the temporary extended unemploy-
20 ment compensation to which they were not entitled,
21 except that no single deduction may exceed 50 per-
22 cent of the weekly benefit amount from which such
23 deduction is made.

24 (2) OPPORTUNITY FOR HEARING.—No repay-
25 ment shall be required, and no deduction shall be

1 made, until a determination has been made, notice
2 thereof and an opportunity for a fair hearing has
3 been given to the individual, and the determination
4 has become final.

5 (d) REVIEW.—Any determination by a State agency
6 under this section shall be subject to review in the same
7 manner and to the same extent as determinations under
8 the State unemployment compensation law, and only in
9 that manner and to that extent.

10 **SEC. 307. DEFINITIONS.**

11 In this title, the terms “compensation”, “regular
12 compensation”, “extended compensation”, “additional
13 compensation”, “benefit year”, “base period”, “State”,
14 “State agency”, “State law”, and “week” have the respec-
15 tive meanings given such terms under section 205 of the
16 Federal-State Extended Unemployment Compensation Act
17 of 1970 (26 U.S.C. 3304 note).

18 **SEC. 308. APPLICABILITY.**

19 An agreement entered into under this title shall apply
20 to weeks of unemployment—

21 (1) beginning after the date on which such
22 agreement is entered into; and

23 (2) ending before January 1, 2003.

1 **SEC. 309. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
2 **2002.**

3 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY
4 THE BALANCED BUDGET ACT OF 1997.—

5 (1) IN GENERAL.—The following provisions of
6 section 903 of the Social Security Act (42 U.S.C.
7 1103) are repealed:

8 (A) Paragraph (3) of subsection (a).

9 (B) The last sentence of subsection (c)(2).

10 (2) SAVINGS PROVISION.—Any amounts trans-
11 ferred before the date of enactment of this Act
12 under the provision repealed by paragraph (1)(A)
13 shall remain subject to section 903 of the Social Se-
14 curity Act, as last in effect before such date of en-
15 actment.

16 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—
17 Section 903 of the Social Security Act is amended by add-
18 ing at the end the following:

19 “Special Transfer in Fiscal Year 2002

20 “(d)(1) The Secretary of the Treasury shall transfer
21 (as of the date determined under paragraph (5)) from the
22 Federal unemployment account to the account of each
23 State in the Unemployment Trust Fund the amount deter-
24 mined with respect to such State under paragraph (2).

25 “(2) The amount to be transferred under this sub-
26 section to a State account shall (as determined by the Sec-

1 retary of Labor and certified by such Secretary to the Sec-
2 retary of the Treasury) be equal to—

3 “(A) the amount which would have been re-
4 quired to have been transferred under this section to
5 such account at the beginning of fiscal year 2002
6 if—

7 “(i) section 309(a)(1) of the Temporary
8 Extended Unemployment Compensation Act of
9 2002 had been enacted before the close of fiscal
10 year 2001, and

11 “(ii) section 5402 of Public Law 105–33
12 (relating to increase in Federal unemployment
13 account ceiling) had not been enacted,

14 minus

15 “(B) the amount which was in fact transferred
16 under this section to such account at the beginning
17 of fiscal year 2002.

18 “(3)(A) Except as provided in paragraph (4),
19 amounts transferred to a State account pursuant to this
20 subsection may be used only in the payment of cash
21 benefits—

22 “(i) to individuals with respect to their unem-
23 ployment, and

24 “(ii) which are allowable under subparagraph
25 (B) or (C).

1 “(B)(i) At the option of the State, cash benefits
2 under this paragraph may include amounts which shall be
3 payable as—

4 “(I) regular compensation, or

5 “(II) additional compensation, upon the exhaus-
6 tion of any temporary extended unemployment com-
7 pensation (if such State has entered into an agree-
8 ment under the Temporary Extended Unemployment
9 Compensation Act of 2002), for individuals eligible
10 for regular compensation under the unemployment
11 compensation law of such State.

12 “(ii) Any additional compensation under clause (i)
13 may not be taken into account for purposes of any deter-
14 mination relating to the amount of any extended com-
15 pensation for which an individual might be eligible.

16 “(C)(i) At the option of the State, cash benefits
17 under this paragraph may include amounts which shall be
18 payable to 1 or more categories of individuals not other-
19 wise eligible for regular compensation under the unem-
20 ployment compensation law of such State, including those
21 described in clause (iii).

22 “(ii) The benefits paid under this subparagraph to
23 any individual may not, for any period of unemployment,
24 exceed the maximum amount of regular compensation au-
25 thorized under the unemployment compensation law of

1 such State for that same period, plus any additional com-
2 pensation (described in subparagraph (B)(i)) which could
3 have been paid with respect to that amount.

4 “(iii) The categories of individuals described in this
5 clause include the following:

6 “(I) Individuals who are seeking, or available
7 for, only part-time (and not full-time) work.

8 “(II) Individuals who would be eligible for reg-
9 ular compensation under the unemployment com-
10 pensation law of such State under an alternative
11 base period.

12 “(D) Amounts transferred to a State account under
13 this subsection may be used in the payment of cash bene-
14 fits to individuals only for weeks of unemployment begin-
15 ning after the date of enactment of this subsection.

16 “(4) Amounts transferred to a State account under
17 this subsection may be used for the administration of its
18 unemployment compensation law and public employment
19 offices (including in connection with benefits described in
20 paragraph (3) and any recipients thereof), subject to the
21 same conditions as set forth in subsection (c)(2) (exclud-
22 ing subparagraph (B) thereof, and deeming the reference
23 to ‘subsections (a) and (b)’ in subparagraph (D) thereof
24 to include this subsection).

1 “(5) Transfers under this subsection shall be made
2 within 10 days after the date of enactment of this para-
3 graph.”

4 (c) LIMITATIONS ON TRANSFERS.—Section 903(b) of
5 the Social Security Act shall apply to transfers under sec-
6 tion 903(d) of such Act (as amended by this section). For
7 purposes of the preceding sentence, such section 903(b)
8 shall be deemed to be amended as follows:

9 (1) By substituting “the transfer date described
10 in subsection (d)(5)” for “October 1 of any fiscal
11 year”.

12 (2) By substituting “remain in the Federal un-
13 employment account” for “be transferred to the
14 Federal unemployment account as of the beginning
15 of such October 1”.

16 (3) By substituting “fiscal year 2002 (after the
17 transfer date described in subsection (d)(5))” for
18 “the fiscal year beginning on such October 1”.

19 (4) By substituting “under subsection (d)” for
20 “as of October 1 of such fiscal year”.

21 (5) By substituting “(as of the close of fiscal
22 year 2002)” for “(as of the close of such fiscal
23 year)”.

24 (d) TECHNICAL AMENDMENTS.—(1) Sections
25 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue

1 Code of 1986 are amended by inserting “or 903(d)(4)”
 2 before “of the Social Security Act”.

3 (2) Section 303(a)(5) of the Social Security Act is
 4 amended in the second proviso by inserting “or 903(d)(4)”
 5 after “903(c)(2)”.

6 (e) REGULATIONS.—The Secretary of Labor may
 7 prescribe any operating instructions or regulations nec-
 8 essary to carry out this section and the amendments made
 9 by this section.

10 **TITLE IV—DISPLACED WORKER** 11 **HEALTH INSURANCE CREDIT**

12 **SEC. 401. DISPLACED WORKER HEALTH INSURANCE CRED-** 13 **IT.**

14 (a) IN GENERAL.—Subchapter B of chapter 65 is
 15 amended by inserting after section 6428 the following new
 16 section:

17 **“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE** 18 **CREDIT.**

19 “(a) IN GENERAL.—In the case of an individual,
 20 there shall be allowed as a credit against the tax imposed
 21 by subtitle A an amount equal to 60 percent of the amount
 22 paid during the taxable year for coverage for the taxpayer,
 23 the taxpayer’s spouse, and dependents of the taxpayer
 24 under qualified health insurance during eligible coverage
 25 months.

1 “(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The
2 number of eligible coverage months taken into account
3 under subsection (a) for all taxable years shall not exceed
4 12.

5 “(c) ELIGIBLE COVERAGE MONTH.—For purposes of
6 this section—

7 “(1) IN GENERAL.—The term ‘eligible coverage
8 month’ means any month during 2002 or 2003 if,
9 as of the first day of such month—

10 “(A) the taxpayer is unemployed,

11 “(B) the taxpayer is covered by qualified
12 health insurance,

13 “(C) the premium for coverage under such
14 insurance for such month is paid by the tax-
15 payer, and

16 “(D) the taxpayer does not have other
17 specified coverage.

18 “(2) SPECIAL RULES.—

19 “(A) TREATMENT OF FIRST MONTH OF
20 EMPLOYMENT.—The taxpayer shall be treated
21 as meeting the requirement of paragraph (1)(A)
22 for the first month beginning on or after the
23 date that the taxpayer ceases to be unemployed
24 by reason of beginning work for an employer.

1 “(B) INITIAL CLAIM MUST BE AFTER
2 MARCH 15, 2001.—The taxpayer shall not be
3 treated as meeting the requirement of para-
4 graph (1)(A) with respect to any unemployment
5 if the initial claim for regular compensation for
6 such unemployment is filed on or before March
7 15, 2001.

8 “(C) JOINT RETURNS.—In the case of a
9 joint return, the requirements of paragraph (1)
10 shall be treated as met if at least 1 spouse sat-
11 isfies such requirements.

12 “(3) OTHER SPECIFIED COVERAGE.—For pur-
13 poses of this subsection, an individual has other
14 specified coverage for any month if, as of the first
15 day of such month—

16 “(A) SUBSIDIZED COVERAGE.—

17 “(i) IN GENERAL.—Such individual is
18 covered under any qualified health insur-
19 ance under which at least 50 percent of
20 the cost of coverage (determined under sec-
21 tion 4980B) is paid or incurred by an em-
22 ployer (or former employer) of the tax-
23 payer or the taxpayer’s spouse.

24 “(ii) TREATMENT OF CAFETERIA
25 PLANS AND FLEXIBLE SPENDING AC-

1 COUNTS.—For purposes of clause (i), the
2 cost of benefits—

3 “(I) which are chosen under a
4 cafeteria plan (as defined in section
5 125(d)), or provided under a flexible
6 spending or similar arrangement, of
7 such an employer, and

8 “(II) which are not includible in
9 gross income under section 106,
10 shall be treated as borne by such employer.

11 “(B) COVERAGE UNDER MEDICARE, MED-
12 ICAID, OR SCHIP.—Such individual—

13 “(i) is entitled to benefits under part
14 A of title XVIII of the Social Security Act
15 or is enrolled under part B of such title, or

16 “(ii) is enrolled in the program under
17 title XIX or XXI of such Act.

18 “(C) CERTAIN OTHER COVERAGE.—Such
19 individual—

20 “(i) is enrolled in a health benefits
21 plan under chapter 89 of title 5, United
22 States Code, or

23 “(ii) is entitled to receive benefits
24 under chapter 55 of title 10, United States
25 Code.

1 “(4) DETERMINATION OF UNEMPLOYMENT.—

2 For purposes of paragraph (1), an individual shall
3 be treated as unemployed during any period—

4 “(A) for which such individual is receiving
5 unemployment compensation (as defined in sec-
6 tion 85(b)), or

7 “(B) for which such individual is certified
8 by a State agency (or by any other entity des-
9 ignated by the Secretary) as otherwise being en-
10 titled to receive unemployment compensation
11 (as so defined) but for—

12 “(i) the termination of the period dur-
13 ing which such compensation was payable,
14 or

15 “(ii) an exhaustion of such individ-
16 ual’s rights to such compensation.

17 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
18 poses of this section, the term ‘qualified health insurance’
19 means insurance which constitutes medical care; except
20 that such term shall not include any insurance if substan-
21 tially all of its coverage is of excepted benefits described
22 in section 9832(c).

23 “(e) COORDINATION WITH ADVANCE PAYMENTS OF
24 CREDIT.—

1 “(1) RECAPTURE OF EXCESS ADVANCE PAY-
 2 MENTS.—If any payment is made by the Secretary
 3 under section 7527 during any calendar year to a
 4 provider of qualified health insurance for an indi-
 5 vidual, then the tax imposed by this chapter for the
 6 individual’s last taxable year beginning in such cal-
 7 endar year shall be increased by the aggregate
 8 amount of such payments.

9 “(2) RECONCILIATION OF PAYMENTS AD-
 10 VANCED AND CREDIT ALLOWED.—Any increase in
 11 tax under paragraph (1) shall not be treated as tax
 12 imposed by this chapter for purposes of determining
 13 the amount of any credit (other than the credit al-
 14 lowed by subsection (a)) allowable under part IV of
 15 subchapter A of chapter 1.

16 “(f) SPECIAL RULES.—

17 “(1) COORDINATION WITH OTHER DEDUC-
 18 TIONS.—Amounts taken into account under sub-
 19 section (a) shall not be taken into account in deter-
 20 mining any deduction allowed under section 162(l)
 21 or 213.

22 “(2) MSA DISTRIBUTIONS.—Amounts distrib-
 23 uted from an Archer MSA (as defined in section
 24 220(d)) shall not be taken into account under sub-
 25 section (a).

1 “(3) DENIAL OF CREDIT TO DEPENDENTS.—No
 2 credit shall be allowed under this section to any indi-
 3 vidual with respect to whom a deduction under sec-
 4 tion 151 is allowable to another taxpayer for a tax-
 5 able year beginning in the calendar year in which
 6 such individual’s taxable year begins.

7 “(4) CREDIT TREATED AS REFUNDABLE CRED-
 8 IT.—For purposes of this title, the credit allowed
 9 under this section shall be treated as a credit allow-
 10 able under subpart C of part IV of subchapter A of
 11 chapter 1.

12 “(5) REGULATIONS.—The Secretary may pre-
 13 scribe such regulations and other guidance as may
 14 be necessary or appropriate to carry out this section
 15 and section 7527.”.

16 (b) INCREASED ACCESS TO HEALTH INSURANCE FOR
 17 INDIVIDUALS ELIGIBLE FOR TAX CREDIT.—Notwith-
 18 standing any other provision of law, in applying section
 19 2741 of the Public Health Service Act (42 U.S.C. 300gg–
 20 41)) and any alternative State mechanism under section
 21 2744 of such Act (42 U.S.C.300gg–44)), in determining
 22 who is an eligible individual (as defined in section 2741(b)
 23 of such Act) in the case of an individual who may be cov-
 24 ered by insurance for which credit is allowable under sec-
 25 tion 6429 of the Internal Revenue Code of 1986 for an

1 eligible coverage month, if the individual seeks to obtain
 2 health insurance coverage under such section during an
 3 eligible coverage month under such section—

4 (1) paragraph (1) of such section 2741(b) shall
 5 be applied as if any reference to 18 months is
 6 deemed a reference to 12 months, and

7 (2) paragraphs (4) and (5) of such section
 8 2741(b) shall not apply.

9 (c) INFORMATION REPORTING.—

10 (1) IN GENERAL.—Subpart B of part III of
 11 subchapter A of chapter 61 (relating to information
 12 concerning transactions with other persons) is
 13 amended by inserting after section 6050S the fol-
 14 lowing new section:

15 **“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER**
 16 **HEALTH INSURANCE CREDIT.**

17 “(a) REQUIREMENT OF REPORTING.—Every
 18 person—

19 “(1) who, in connection with a trade or busi-
 20 ness conducted by such person, receives payments
 21 during any calendar year from any individual for
 22 coverage of such individual or any other individual
 23 under qualified health insurance (as defined in sec-
 24 tion 6429(d)), and

1 “(2) who claims a reimbursement for an ad-
2 vance credit amount,
3 shall, at such time as the Secretary may prescribe, make
4 the return described in subsection (b) with respect to each
5 individual from whom such payments were received or for
6 whom such a reimbursement is claimed.

7 “(b) FORM AND MANNER OF RETURNS.—A return
8 is described in this subsection if such return—

9 “(1) is in such form as the Secretary may pre-
10 scribe, and

11 “(2) contains—

12 “(A) the name, address, and TIN of each
13 individual referred to in subsection (a),

14 “(B) the aggregate of the advance credit
15 amounts provided to such individual and for
16 which reimbursement is claimed,

17 “(C) the number of months for which such
18 advance credit amounts are so provided, and

19 “(D) such other information as the Sec-
20 retary may prescribe.

21 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
22 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
23 QUIRED.—Every person required to make a return under
24 subsection (a) shall furnish to each individual whose name

1 is required to be set forth in such return a written state-
 2 ment showing—

3 “(1) the name and address of the person re-
 4 quired to make such return and the phone number
 5 of the information contact for such person, and

6 “(2) the information required to be shown on
 7 the return with respect to such individual.

8 The written statement required under the preceding sen-
 9 tence shall be furnished on or before January 31 of the
 10 year following the calendar year for which the return
 11 under subsection (a) is required to be made.

12 “(d) ADVANCE CREDIT AMOUNT.—For purposes of
 13 this section, the term ‘advance credit amount’ means an
 14 amount for which the person can claim a reimbursement
 15 pursuant to a program established by the Secretary under
 16 section 7527.”

17 (2) ASSESSABLE PENALTIES.—

18 (A) Subparagraph (B) of section
 19 6724(d)(1) (relating to definitions) is amended
 20 by redesignating clauses (xi) through (xvii) as
 21 clauses (xii) through (xviii), respectively, and by
 22 inserting after clause (x) the following new
 23 clause:

1 “(xi) section 6050T (relating to re-
 2 turns relating to displaced worker health
 3 insurance credit),”.

4 (B) Paragraph (2) of section 6724(d) is
 5 amended by striking “or” at the end of sub-
 6 paragraph (Z), by striking the period at the end
 7 of subparagraph (AA) and inserting “, or”, and
 8 by adding after subparagraph (AA) the fol-
 9 lowing new subparagraph:

10 “(BB) section 6050T (relating to returns
 11 relating to displaced worker health insurance
 12 credit).”returns relating to payments for quali-
 13 fied health insurance).”

14 (3) CLERICAL AMENDMENT.—The table of sec-
 15 tions for subpart B of part III of subchapter A of
 16 chapter 61 is amended by inserting after the item
 17 relating to section 6050S the following new item:

“Sec. 6050T. Returns relating to displaced worker health insur-
 ance credit.”

18 (d) CONFORMING AMENDMENTS.—

19 (1) Paragraph (2) of section 1324(b) of title
 20 31, United States Code, is amended by inserting be-
 21 fore the period “, or from section 6429 of such
 22 Code”.

1 (2) The table of sections for subchapter B of
 2 chapter 65 is amended by adding at the end the fol-
 3 lowing new item:

 “Sec. 6429. Displaced worker health insurance credit.”

4 (e) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 2001.

7 **SEC. 402. ADVANCE PAYMENT OF DISPLACED WORKER**
 8 **HEALTH INSURANCE CREDIT.**

9 (a) IN GENERAL.—Chapter 77 (relating to miscella-
 10 neous provisions) is amended by adding at the end the
 11 following new section:

12 **“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER**
 13 **HEALTH INSURANCE CREDIT.**

14 “(a) GENERAL RULE.—The Secretary shall establish
 15 a program for making payments on behalf of eligible indi-
 16 viduals to providers of health insurance for such individ-
 17 uals.

18 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
 19 section, the term ‘eligible individual’ means any individual
 20 for whom a qualified health insurance credit eligibility cer-
 21 tificate is in effect.

22 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
 23 BILITY CERTIFICATE.—For purposes of this section, a
 24 qualified health insurance credit eligibility certificate is a

1 statement certified by a State agency (or by any other en-
 2 tity designated by the Secretary) which—

3 “(1) certifies that the individual was unem-
 4 ployed (within the meaning of section 6429) as of
 5 the first day of any month, and

6 “(2) provides such other information as the
 7 Secretary may require for purposes of this section.”

8 (b) CLERICAL AMENDMENT.—The table of sections
 9 for chapter 77 is amended by adding at the end the fol-
 10 lowing new item:

“Sec. 7527. Advance payment of displaced worker health insur-
 ance credit.”

11 (c) EFFECTIVE DATE.—The amendments made by
 12 this section shall take effect on the date of the enactment
 13 of this Act.

14 **TITLE V—EMPLOYMENT AND**
 15 **TRAINING ASSISTANCE AND**
 16 **TEMPORARY HEALTH CARE**
 17 **COVERAGE ASSISTANCE**

18 **SEC. 501. EMPLOYMENT AND TRAINING ASSISTANCE AND**
 19 **TEMPORARY HEALTH CARE COVERAGE AS-**
 20 **SISTANCE.**

21 (a) IN GENERAL.—Section 173(a) of the Workforce
 22 Investment Act of 1998 (29 U.S.C. 2918(a)) is
 23 amended—

1 (1) in paragraph (2), by striking “and” at the
2 end;

3 (2) in paragraph (3), by striking the period at
4 the end and inserting “; and”; and

5 (3) by adding at the end the following:

6 “(4) to the Governor of any State or outlying
7 area who applies for assistance under subsection (f)
8 to provide employment and training assistance and
9 temporary health care coverage assistance to work-
10 ers affected by major economic dislocations, such as
11 plant closures, mass layoffs, or multiple layoffs, in-
12 cluding those dislocations caused by the terrorist at-
13 tacks of September 11, 2001.”.

14 (b) REQUIREMENTS.—Section 173 of the Workforce
15 Investment Act of 1998 (29 U.S.C. 2918) is amended by
16 adding at the end the following:

17 “(f) ADDITIONAL RELIEF FOR MAJOR ECONOMIC
18 DISLOCATIONS.—

19 “(1) GRANT RECIPIENT ELIGIBILITY.—

20 “(A) IN GENERAL.—To be eligible to re-
21 ceive a grant under subsection (a)(4), a Gov-
22 ernor shall submit an application, for assistance
23 described in subparagraph (B), to the Secretary
24 at such time, in such manner, and containing
25 such information as the Secretary may require.

1 “(B) TYPES OF ASSISTANCE.—

2 “(i) IN GENERAL.—Assistance de-
3 scribed in this subparagraph is—

4 “(I) employment and training as-
5 sistance, including employment and
6 training activities described in section
7 134; and

8 “(II) temporary health care cov-
9 erage assistance described in para-
10 graph (4).

11 “(ii) MINIMUM ALLOCATION TO TEM-
12 PORARY HEALTH CARE COVERAGE ASSIST-
13 ANCE.—Not less than 30 percent of the
14 cost of assistance requested in any applica-
15 tion submitted under this subsection shall
16 consist of the cost for temporary health
17 care coverage assistance described in para-
18 graph (4).

19 “(iii) ENCOURAGEMENT OF CERTAIN
20 TYPES OF HEALTH CARE COVERAGE.—In
21 publishing requirements for applications
22 under this subsection, the Secretary shall
23 encourage the use of private health cov-
24 erage alternatives.

1 “(C) MINIMUM AWARD REQUIREMENT FOR
2 ELIGIBLE STATES AND OUTLYING AREAS.—

3 “(i) REQUIREMENTS.—In any case in
4 which the requirements of this section are
5 met in connection with one or more appli-
6 cations of the Governor of any State or
7 outlying area for assistance described in
8 subparagraph (B), the Governor—

9 “(I) shall be awarded at least 1
10 grant under subsection (a)(4) pursu-
11 ant to such applications, and

12 “(II) except as provided in clause
13 (ii), shall be awarded not less than
14 \$5,000,000 in total grants awarded
15 under (a)(4).

16 “(ii) EXCEPTION TO MINIMUM GRANT
17 REQUIREMENTS.—The Secretary may
18 award to a Governor a total amount less
19 than the minimum total amount specified
20 in clause (i)(II), as appropriate, if the
21 Governor—

22 “(I) requests less than such min-
23 imum total amount, or

24 “(II) fails to demonstrate to the
25 Secretary that there are a sufficient

1 number of eligible recipients to justify
2 the awarding of grants in such min-
3 imum total amount.

4 “(2) STATE ADMINISTRATION.—The Governor
5 may designate one or more local workforce invest-
6 ment boards or other entities with the capability to
7 respond to the circumstances relating to the par-
8 ticular closure, layoff, or other dislocation to admin-
9 ister the grant under subsection (a)(4).

10 “(3) PARTICIPANT ELIGIBILITY.—An individual
11 shall be eligible to receive assistance described in
12 paragraph (1)(B) under a grant awarded under sub-
13 section (a)(4) if such individual is a dislocated work-
14 er and the Governor has certified that a major eco-
15 nomic dislocation, such as a plant closure, mass lay-
16 off, or multiple layoff, including a dislocation caused
17 by the terrorist attacks of September 11, 2001, con-
18 tributed importantly to the dislocation.

19 “(4) TEMPORARY HEALTH CARE COVERAGE AS-
20 SISTANCE.—

21 “(A) IN GENERAL.—Temporary health
22 care coverage assistance described in this para-
23 graph consists of health care coverage premium
24 assistance provided to qualified individuals
25 under this paragraph with respect to premiums

1 for coverage for themselves, for their spouses,
2 for their dependents, or for any combination
3 thereof, other than premiums for excluded
4 health insurance coverage.

5 “(B) QUALIFIED INDIVIDUALS.—For pur-
6 poses of this paragraph—

7 “(i) IN GENERAL.—Subject to clause
8 (ii), a qualified individual is an individual
9 who—

10 “(I) is a dislocated worker re-
11 ferred to in paragraph (3) with re-
12 spect to whom the Governor has made
13 the certification regarding the disloca-
14 tion as required under such para-
15 graph, and

16 “(II) is receiving or has received
17 employment and training assistance
18 as described in paragraph
19 (1)(B)(i)(I).

20 “(ii) LIMITATION.—An individual
21 shall not be treated as a qualified indi-
22 vidual if—

23 “(I) such individual is eligible for
24 coverage under the program under
25 title XIX of the Social Security Act

1 applicable in the State or outlying
2 area, or

3 “(II) such individual is eligible
4 for coverage under the program under
5 title XXI of such Act applicable in the
6 State or outlying area,

7 unless such eligibility is effective solely in
8 connection with eligibility for health care
9 coverage premium assistance under a pro-
10 gram established by the Governor in con-
11 nection with temporary health care cov-
12 erage assistance received under this sub-
13 section.

14 “(iii) CONSTRUCTION.—

15 “(I) PERMITTING COVERAGE
16 THROUGH ENROLLMENT IN MEDICAID
17 OR SCHIP.—Nothing in this subsection
18 shall be construed as preventing a
19 State from using funds made available
20 by reason of subsection (a)(4) to pro-
21 vide health care coverage through en-
22 rollment in the program under title
23 XIX (relating to medicaid) or in the
24 program under title XXI (relating to
25 SCHIP) of the Social Security Act,

1 but only in the case of individuals who
2 are not otherwise eligible for coverage
3 under either such program.

4 “(II) NOT AFFECTING ELIGI-
5 BILITY FOR ASSISTANCE.—An indi-
6 vidual shall not be treated for pur-
7 poses of this subsection as being eligi-
8 ble for coverage under either such
9 program (and thereby not eligible for
10 assistance under this subsection)
11 merely on the basis that the State
12 provides assistance under this sub-
13 section through coverage under either
14 such program.

15 “(C) LIMITATION ON ENTITLEMENT.—
16 Nothing in this subsection shall be construed as
17 establishing any entitlement of qualified individ-
18 uals to premium assistance under this sub-
19 section.

20 “(D) CONCURRENCE AND CONSULTA-
21 TION.—In connection with any temporary
22 health care coverage assistance provided pursu-
23 ant to this paragraph—

24 “(i) if the Secretary determines that
25 health care coverage premium assistance

1 provided through title XIX or XXI of the
2 Social Security Act is a substantial compo-
3 nent of the assistance provided, the Sec-
4 retary shall act in concurrence with the
5 Secretary of Health and Human Services,
6 and

7 “(ii) in any other case, the Secretary
8 shall consult with the Secretary of Health
9 and Human Services to the extent that
10 such assistance affects programs adminis-
11 tered by or under the Secretary of Health
12 and Human Services.

13 “(E) USE OF FUNDS.—Temporary health
14 care coverage assistance provided pursuant to
15 this subsection shall supplement and may not
16 supplant any other State or local funds used to
17 provide health care coverage and may not be in-
18 cluded in determining the amount of non-Fed-
19 eral contributions required under any program.

20 “(F) DEFINITIONS.—For purposes of this
21 paragraph—

22 “(i) EXCLUDED HEALTH CARE COV-
23 ERAGE.—The term ‘excluded health care
24 coverage’ means coverage under—

1 “(I) title XVIII of the Social Se-
2 curity Act,

3 “(II) chapter 55 of title 10,
4 United States Code,

5 “(III) chapter 17 of title 38,
6 United States Code,

7 “(IV) chapter 89 of title 5,
8 United States Code (other than cov-
9 erage which is comparable to continu-
10 ation coverage under section 4980B of
11 the Internal Revenue Code of 1986),
12 or

13 “(V) the Indian Health Care Im-
14 provement Act.

15 Such term also includes coverage under a
16 qualified long-term care insurance contract
17 and excepted benefits described in section
18 733(c) of the Employee Retirement Income
19 Security Act of 1974.

20 “(ii) PREMIUM.—The term ‘premium’
21 means, in connection with health care cov-
22 erage, the premium which would (but for
23 this section) be charged for the cost of cov-
24 erage.

25 “(5) APPROPRIATIONS.—

1 “(A) IN GENERAL.—There is hereby ap-
2 propriated, from any amounts in the Treasury
3 not otherwise appropriated, \$4,000,000,000 for
4 the period consisting of fiscal years 2002, 2003,
5 and 2004 for the award of grants under sub-
6 section (a)(4) in accordance with this section.

7 “(B) AVAILABILITY.—Amounts appro-
8 priated pursuant to subparagraph (A) for each
9 fiscal year—

10 “(i) are in addition to amounts made
11 available under section 132(a)(2)(A) or
12 any other provision of law to carry out this
13 section; and

14 “(ii) notwithstanding section
15 189(g)(1), shall remain available for obliga-
16 tion by the Secretary from the date of the
17 enactment of this subsection through each
18 succeeding fiscal year, except that, not-
19 withstanding section 189(g)(2), no funds
20 are hereby available for expenditure after
21 June 30, 2004.”.

TITLE VI—VALUE-ADDED AGRICULTURE

SEC. 601. SMALL ETHANOL PRODUCER CREDIT.

(a) ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—Section 40(g) Internal Revenue Code of 1986 (relating to definitions and special rules for eligible small ethanol producer credit) is amended by adding at the end the following:

“(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

“(A) ELECTION TO ALLOCATE.—

“(i) IN GENERAL.—Notwithstanding paragraph (4), in the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

“(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election,

1 once made, shall be irrevocable for such
2 taxable year.

3 “(iii) SPECIAL RULE FOR TAXABLE
4 YEARS PRIOR TO ENACTMENT OF PARA-
5 GRAPH.—Notwithstanding clause (ii), an
6 election for any taxable year ending prior
7 to the date of the enactment of this para-
8 graph may be made at any time before the
9 expiration of the 3-year period beginning
10 on the last date prescribed by law for filing
11 the return of the taxpayer for such taxable
12 year (determined without regard to exten-
13 sions) by filing an amended return for
14 such year.

15 “(B) TREATMENT OF ORGANIZATIONS AND
16 PATRONS.—The amount of the credit appor-
17 tioned to patrons under subparagraph (A)—

18 “(i) shall not be included in the
19 amount determined under subsection (a)
20 with respect to the organization for the
21 taxable year,

22 “(ii) shall be included in the amount
23 determined under subsection (a) for the
24 taxable year of each patron for which the
25 patronage dividends for the taxable year

1 described in subparagraph (A) are included
2 in gross income, and

3 “(iii) shall be included in gross income
4 of such patrons for the taxable year in the
5 manner and to the extent provided in sec-
6 tion 87.

7 “(C) SPECIAL RULES FOR DECREASE IN
8 CREDITS FOR TAXABLE YEAR.—If the amount
9 of the credit of a cooperative organization (as
10 so defined) determined under subsection (a)(3)
11 for a taxable year is less than the amount of
12 such credit shown on the return of the coopera-
13 tive organization for such year, an amount
14 equal to the excess of—

15 “(i) such reduction, over

16 “(ii) the amount not apportioned to
17 such patrons under subparagraph (A) for
18 the taxable year,

19 shall be treated as an increase in tax imposed
20 by this chapter on the organization. Such in-
21 crease shall not be treated as tax imposed by
22 this chapter for purposes of determining the
23 amount of any credit under this subpart or sub-
24 part A, B, E, or G.”.

1 (b) DEFINITION OF SMALL ETHANOL PRODUCER;
2 IMPROVEMENTS TO SMALL ETHANOL PRODUCER
3 CREDIT.—

4 (1) DEFINITION OF SMALL ETHANOL PRO-
5 DUCER.—Section 40(g)(1) of the Internal Revenue
6 Code of 1986 (relating to eligible small ethanol pro-
7 ducer) is amended by striking “30,000,000” and in-
8 serting “60,000,000”.

9 (2) SMALL ETHANOL PRODUCER CREDIT NOT A
10 PASSIVE ACTIVITY CREDIT.—Clause (i) of section
11 469(d)(2)(A) of such Code (relating to passive activ-
12 ity credit) is amended by striking “subpart D” and
13 inserting “subpart D, other than section 40(a)(3),”.

14 (3) ALLOWING CREDIT AGAINST MINIMUM
15 TAX.—

16 (A) IN GENERAL.—Subsection (c) of sec-
17 tion 38 of such Code (relating to limitation
18 based on amount of tax) is amended by redesign-
19 ating paragraph (3) as paragraph (4) and by
20 inserting after paragraph (2) the following:

21 “(3) SPECIAL RULES FOR SMALL ETHANOL
22 PRODUCER CREDIT.—

23 “(A) IN GENERAL.—In the case of the
24 small ethanol producer credit—

1 “(i) this section and section 39 shall
 2 be applied separately with respect to the
 3 credit, and

4 “(ii) in applying paragraph (1) to the
 5 credit—

6 “(I) subparagraphs (A) and (B)
 7 thereof shall not apply, and

8 “(II) the limitation under para-
 9 graph (1) (as modified by subclause
 10 (I)) shall be reduced by the credit al-
 11 lowed under subsection (a) for the
 12 taxable year (other than the small
 13 ethanol producer credit).

14 “(B) SMALL ETHANOL PRODUCER CRED-
 15 IT.—For purposes of this subsection, the term
 16 ‘small ethanol producer credit’ means the credit
 17 allowable under subsection (a) by reason of sec-
 18 tion 40(a)(3).”.

19 (B) CONFORMING AMENDMENT.—Sub-
 20 clause (II) of section 38(c)(2)(A)(ii) of such
 21 Code is amended by inserting “or the small eth-
 22 anol producer credit” after “employment cred-
 23 it”.

24 (4) SMALL ETHANOL PRODUCER CREDIT NOT
 25 ADDED BACK TO INCOME UNDER SECTION 87.—Sec-

1 tion 87 of such Code (relating to income inclusion
2 of alcohol fuel credit is amended to read as follows:

3 **“SEC. 87. ALCOHOL FUEL CREDIT.**

4 “Gross income includes an amount equal to the sum
5 of—

6 “(1) the amount of the alcohol mixture credit
7 determined with respect to the taxpayer for the tax-
8 able year under section 40(a)(1), and

9 “(2) the alcohol credit determined with respect
10 to the taxpayer for the taxable year under section
11 40(a)(2).”.

12 (c) CONFORMING AMENDMENT.—Section 1388 of the
13 Internal Revenue Code of 1986 (relating to definitions and
14 special rules for cooperative organizations) is amended by
15 adding at the end the following:

16 “(k) CROSS REFERENCE.—For provisions relating to
17 the apportionment of the alcohol fuels credit between coop-
18 erative organizations and their patrons, see section 40(d)
19 (6).”

20 (d) EFFECTIVE DATES.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2), the amendments made by this section
23 shall apply to taxable years beginning after Decem-
24 ber 31, 1997.

1 (2) CERTAIN PROVISIONS.—The amendments
2 made by paragraphs (1) and (4) of subsection (b)
3 shall apply to taxable years ending after the date of
4 the enactment of this Act.

5 **SEC. 602. COOPERATIVE MARKETING INCLUDES VALUE-**
6 **ADDED PROCESSING THROUGH ANIMALS.**

7 (a) IN GENERAL.—Section 1388 of the Internal Rev-
8 enue Code of 1986 (relating to definitions and special
9 rules) is amended by adding at the end the following new
10 subsection:

11 “(k) COOPERATIVE MARKETING INCLUDES VALUE-
12 ADDED PROCESSING THROUGH ANIMALS.—For purposes
13 of section 521 and this subchapter, the term ‘marketing
14 the products of members and other producers’ includes
15 feeding the products of members and other producers to
16 cattle, hogs, fish, chickens, or other animals and selling
17 the animals (or animal products) which were fed such feed
18 products.”

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 the date of the enactment of this Act.

1 **SEC. 603. DECLARATORY JUDGMENT REMEDY RELATING**
2 **TO STATUS AND CLASSIFICATION OF FARM-**
3 **ERS' COOPERATIVES.**

4 (a) IN GENERAL.—Paragraph (1) of section 7428(a)
5 of the Internal Revenue Code of 1986 (relating to creation
6 of remedy) is amended by striking “or” at the end of sub-
7 paragraph (B), and by inserting after subparagraph (C)
8 the following new subparagraph:

9 “(D) with respect to the initial qualifica-
10 tion or continuing qualification of an organiza-
11 tion as a cooperative described in section
12 521(b) which is exempt from tax under section
13 521(a), or”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply with respect to pleadings filed with
16 the United States Tax Court, the district court of the
17 United States for the District of Columbia, or the United
18 States Court of Federal Claims after the date of enact-
19 ment of this Act but only with respect to determinations
20 (or requests for determinations) made after January 1,
21 2002.

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